Police and Fire Data Conference
17 May 2023

- Chaired by

- Phil Wells, Assistant Chief Officer, Bedfordshire Police

- Gavin Chambers, Assistant Chief Officer, Bedfordshire Fire

Agenda

- Session 1 – Successful Project Implementation
- Session 2 – Engaging members after dashboards
- Session3 – Cost of the Scheme
- Session 4 – Owning the narrative to make strategic decisions

Session One – Successful Project Implementation

- Speaker

- Clair Alcock, NPCC, Head of Police Pensions

Successful project implementation - McCloud

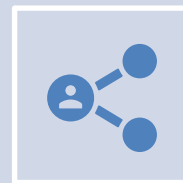Clair Alcock

Head of Police Pensions, NPCC

What will success at remedy look like?

TIMELY PROVISION OF RSS

ACCURATE CALCULATIONS

CO-ORDINATED COMMUNICATIONS TO MEMBERS

SMOOTHER MEMBER OUTCOMES

Data Impact

Remedy returns members back to their legacy scheme for 1 April 2015 to 31 March 2022. This happens at 1 October 2023 and is known as rollback

Data to rebuild the alternative record.

For unprotected members, you need to rebuild the final salary record

For a protected member, you need to build a CARE record.

Immediate Choice and Deferred Choice RSSs have to be produced in an 18 month period. Timetable guidance has been produced.

Not providing data means your administrator cannot provide members with information about their pension

Identify data requirements

Financial	Service	Entitlements
• Final Salary • Career average salary • Contributions	• Part time • Breaks • Transfers • Added pension	• Honararia • Temporary Promotion • CPD/APBs

Timeline of guidance issued

In April 2021 [data guidance](#) and [templates](#) were issued.

Software for data collection started to be made available from Autumn 2021.

From January 2022 most administrators began data collection

Expected Challenges

Judgment based decision making and analysis

Membership cohort for priority order.

Changes of payroll provider

Data sharing between scheme managers for transferees

Data Sharing Between Scheme Managers

Scheme managers have duty to provide members with their remedy choices

Central data sharing agreement in place for police facilitated by XPS

Relies on force privacy notices

Advice from NPCC data protection team

Act Now

- Talk to your administrator
- Get resource in place
- Report to your pension board
- Escalate to scheme manager

Session One Panel
Chair – Jo Darbyshire, Managing Director LPPA

- Panel

- Taylor Brightwell-Smith, Pensions Consultant, GAD
- Leanne Ferreira, Project Specialist, XPS
- Helen Scargill, Client Relationship Manager, West Yorkshire Pension Fund

Workshop

1. How are you ensuring the quality of data to be provided to your administrator?

2. How has your experience of the exercise been? Is it different to expectations and have you been able to escalate for additional support. Do you have any examples of how you have overcome unexpected challenges?

3. Lessons learnt? What do you feel could have been done differently? Would you do things differently in the future, such as storing and reconciling data.

Refreshment Break

Session Two – Engaging members after dashboards

- Speaker

- Andrew Lowe, Co-Chair of PASA Dashboard Committee, ITM

What does a post-dashboards world look like?

- **Can we get a view yet?**

- **What will dashboards show?**

- **Impacts of Dashboards for members and schemes**

- **Channel shift in pension projections**

- **New possibilities leveraging Dashboards 1.0**

- **What members may want to do next**

- **What might Dashboards 2.0 bring**

Can we get a view of the post-dashboards world?

- There is so much hard work taking place aimed at making dashboards a reality involving Industry, PDP and Regulators, to name just a few

- Getting a clear view of what a post-dashboards world will look like, and a timeframe for when we will transition to this new world, is not easy

What dashboards will show members vs member expectation

What dashboards will show:

- Scheme Membership details
- Employer details
- Current Pension accrued (in today's terms)
- Estimated Retirement Income (i.e. pension projected to retirement)
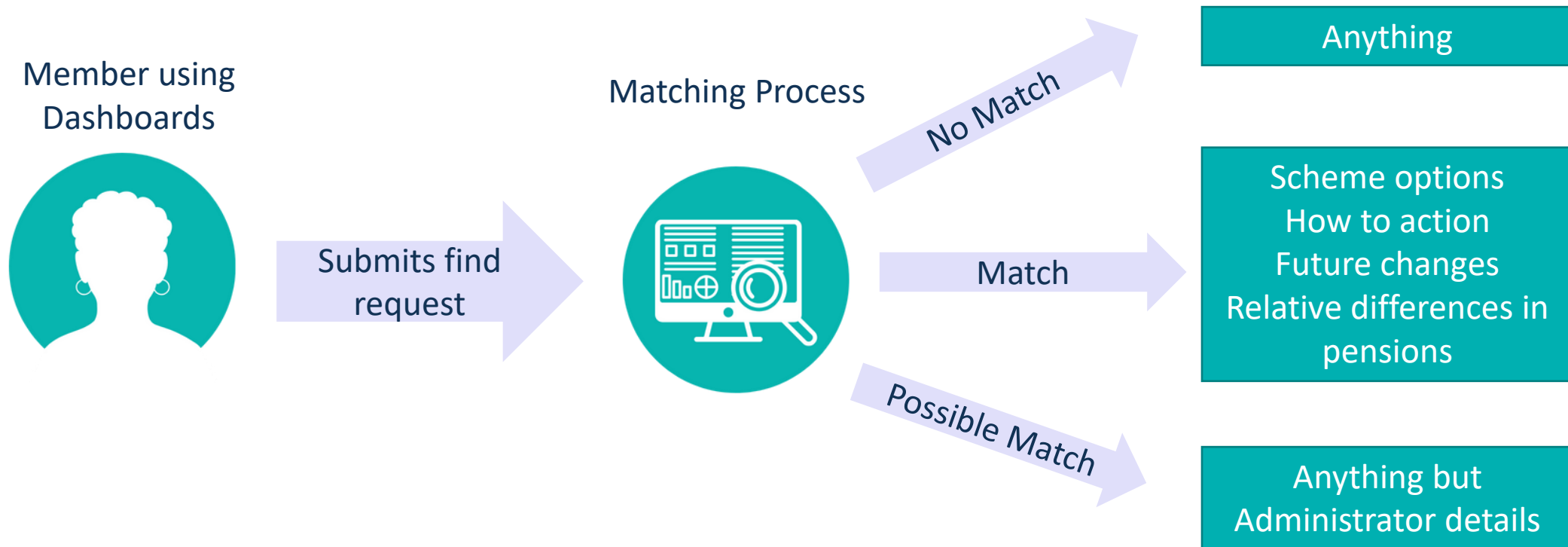- Links to further scheme information

What members expect:

?

- Do members know Dashboards are coming?
- What do they think will be shown?
- What actions will be prompted from there?

- So much is dependent on timing (e.g. staging, Dashboards available point) and priority for members and schemes (e.g. McCloud)
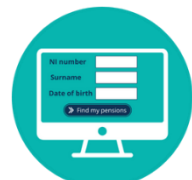
- PASA Guidance on what to say to members available – currently advice is to remain reactive at this stage

  What to say to savers Guidance FINAL – The Pensions Administration Standards Association (pasa-uk.com)

What won't dashboards show? It depends.....

Member using Dashboards

Submits find request →

Matching Process

No Match → Anything

Match → Scheme options
How to action
Future changes
Relative differences in pensions

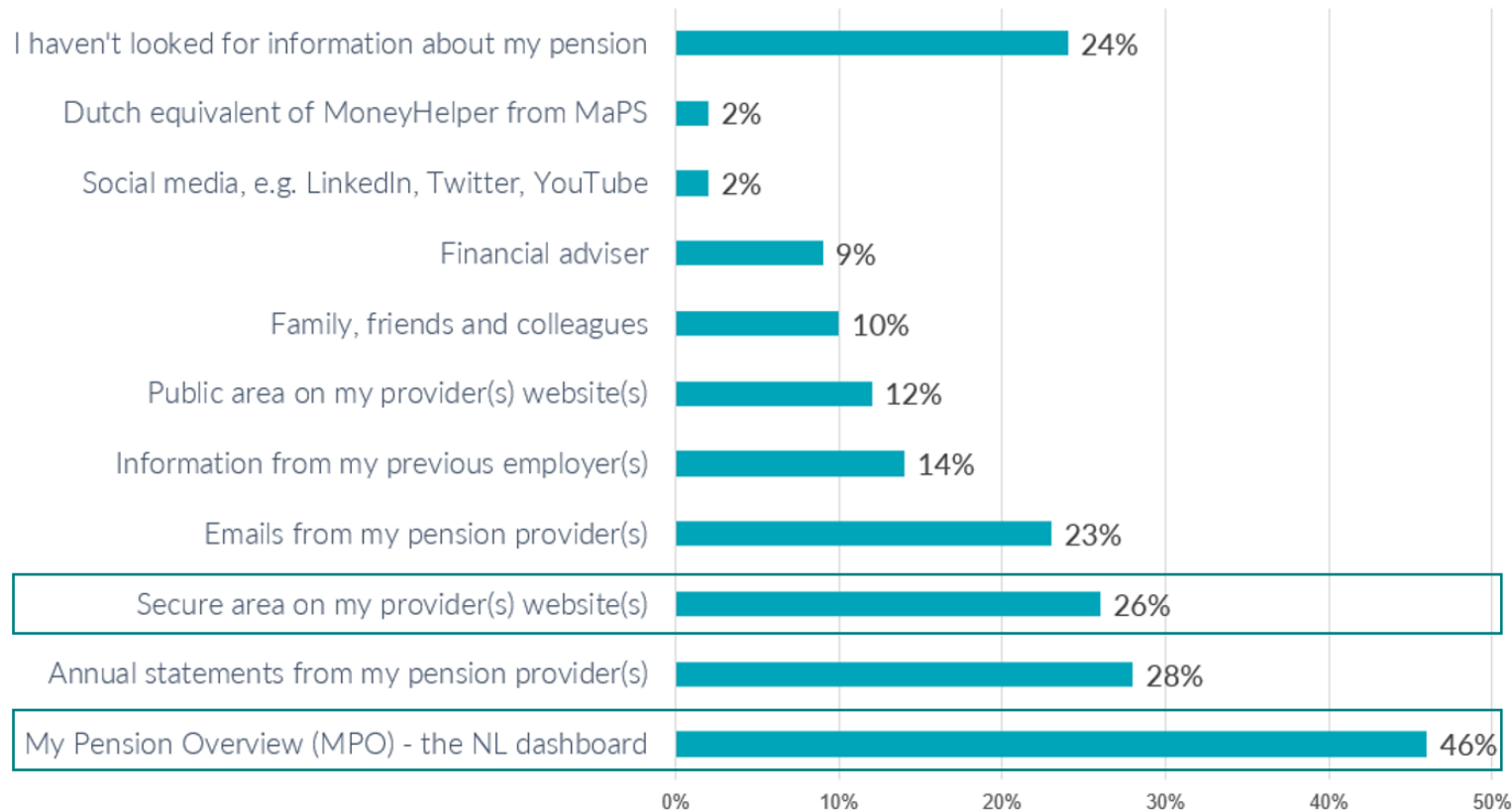**Possible Match** → Anything but Administrator details

- Dashboards, at least for now, provide simple information to give a basic understanding of what income in retirement may look like – this remains with Schemes/Providers

- Every time you respond with a 'match made' or a 'possible match' there is an opportunity for data improvement – driven by your members

Impacts of live dashboards on Members (and Schemes!)

| What's new?	Legislated service levels	Match management	Dashboards evolution	Increased engagement	Other Online channels
Member impact/ expectation	• 24/7 Access	• Find their benefits • Simple member journeys	• Further information to understand pensions and plan for retirement	• Do 'something' with pension	• Wider financial planning • Manage pensions online
Scheme readiness needs	• Effective connection to dashboards architecture • Data on hand	• Adequate match criteria • Match data quality	• Awareness of change • Flexibility in dashboards solution	• Processes and tools in place to guide and manage workload	• Evolution of digital offering • Alignment with dashboards

Channel shift when dashboards are live

What different information source(s) do you use to gain insight into your pension?

Information source	Percentage
I haven't looked for information about my pension	24%
Dutch equivalent of MoneyHelper from MaPS	2%
Social media, e.g. LinkedIn, Twitter, YouTube	2%
Financial adviser	9%
Family, friends and colleagues	10%
Public area on my provider(s) website(s)	12%
Information from my previous employer(s)	14%
Emails from my pension provider(s)	23%
Secure area on my provider(s) website(s)	26%
Annual statements from my pension provider(s)	28%
My Pension Overview (MPO) - the NL dashboard	46%

- The Netherlands is one of the European countries that has a successful pensions dashboard

- In 2019, eight years after their dashboard launched, this survey asked what information sources people went to for pension information

- The dashboard came out on top, well ahead of individual scheme engagement portals, which evidences that UK pensions will also experience a 'channel shift' when dashboards are established

Will dashboards take over pension projections?

Projection

Dashboards become the channel for projections of retirement income
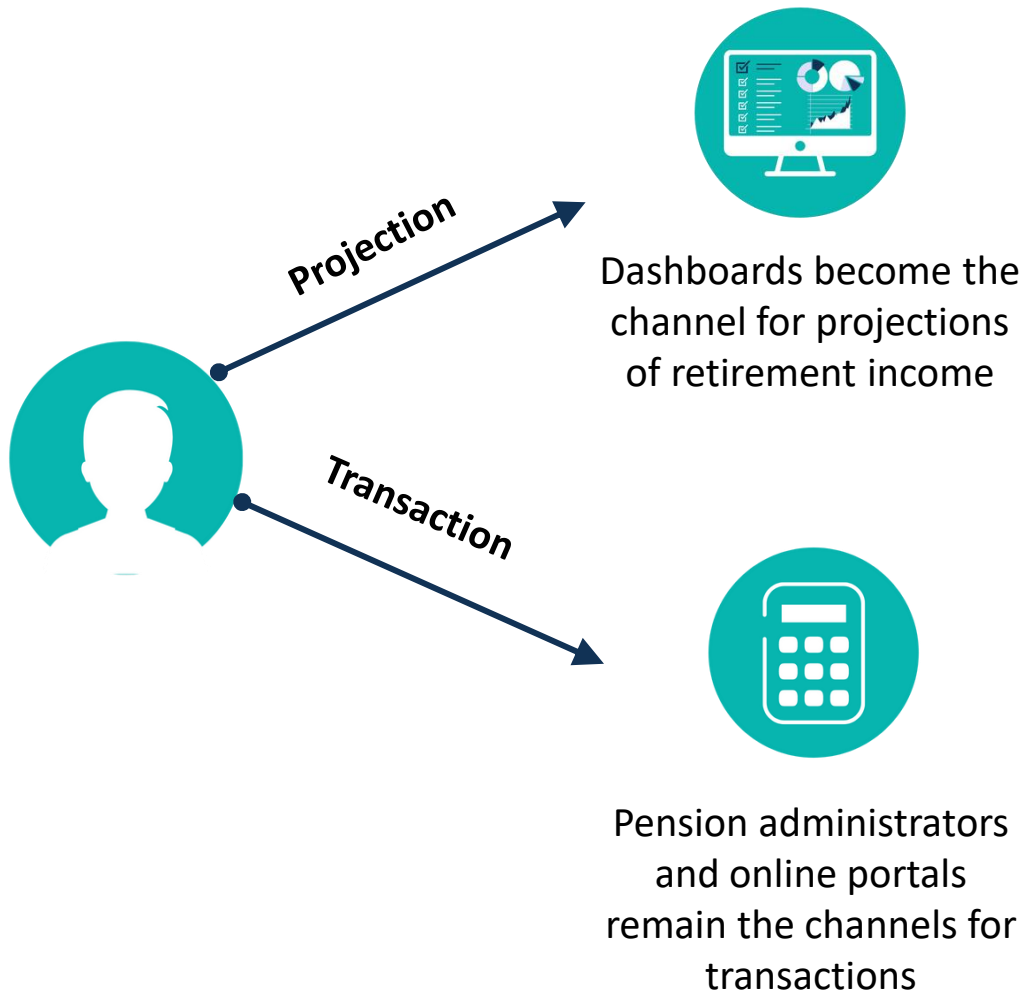
From the age of **67**, your total pension income is estimated to be around **£2,300** a month.

That would give you a standard of living in retirement between **Moderate** and **Comfortable**

Will schemes change all their projections to be consistent with figures they provide for use on pensions dashboards?

Transaction

Pension administrators and online portals remain the channels for transactions

Your retirement benefit from the **ABC pension plan** when you retire on 1 April 2023 will be a pension of **£1,200** per month

Will Dashboards 1.0 open up new possibilities?
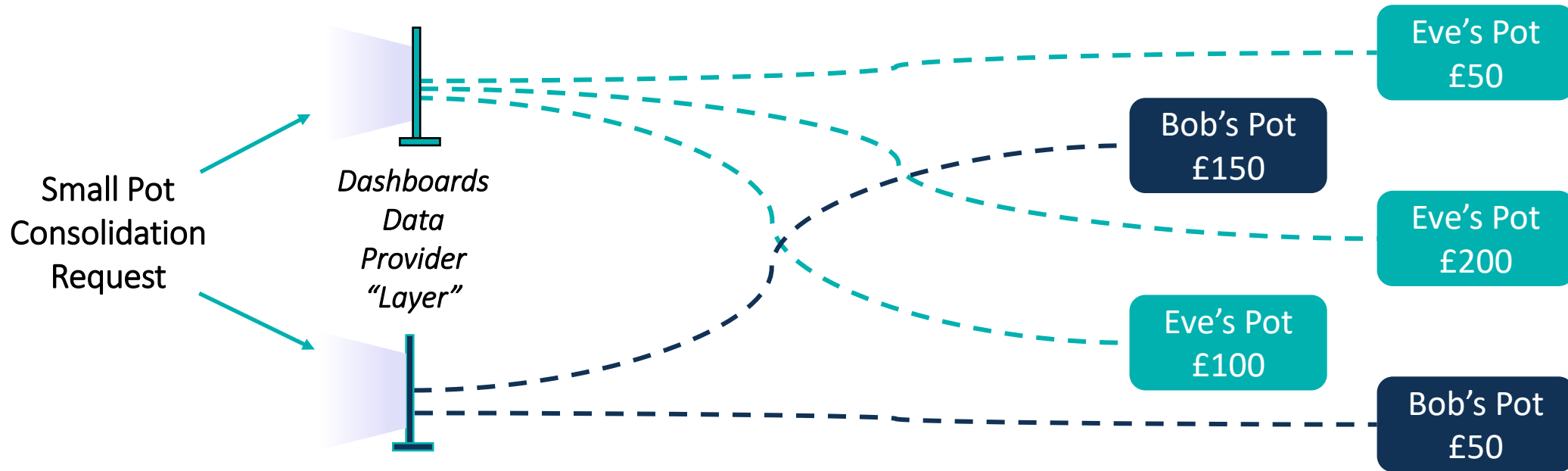
- Maintaining pension entitlement data via dashboard data providers provides a source of the key data: ownership and projected value of entitlements

- This new data layer hides the complexities of the pensions administration world "beneath", but still has promising uses such as small pots consolidation - that could start to head away from dashboards into transactional activities

What members might want to do next

Financial Advice/Retirement Planning

Understand options at retirement

Increase savings into pensions (AVCs/Added Pension)
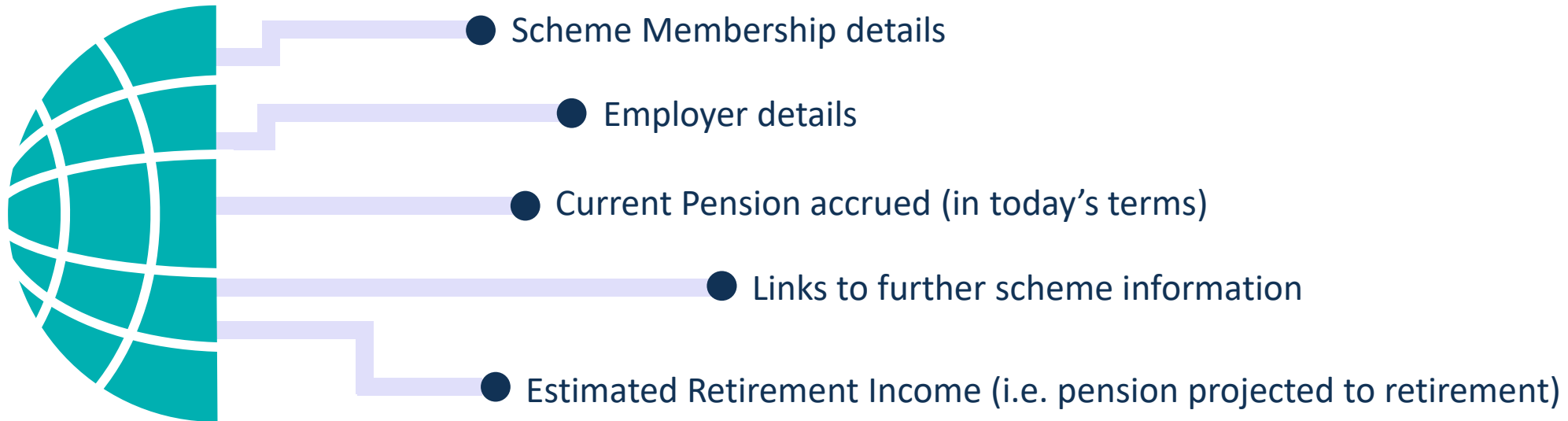
Adjust investment strategy

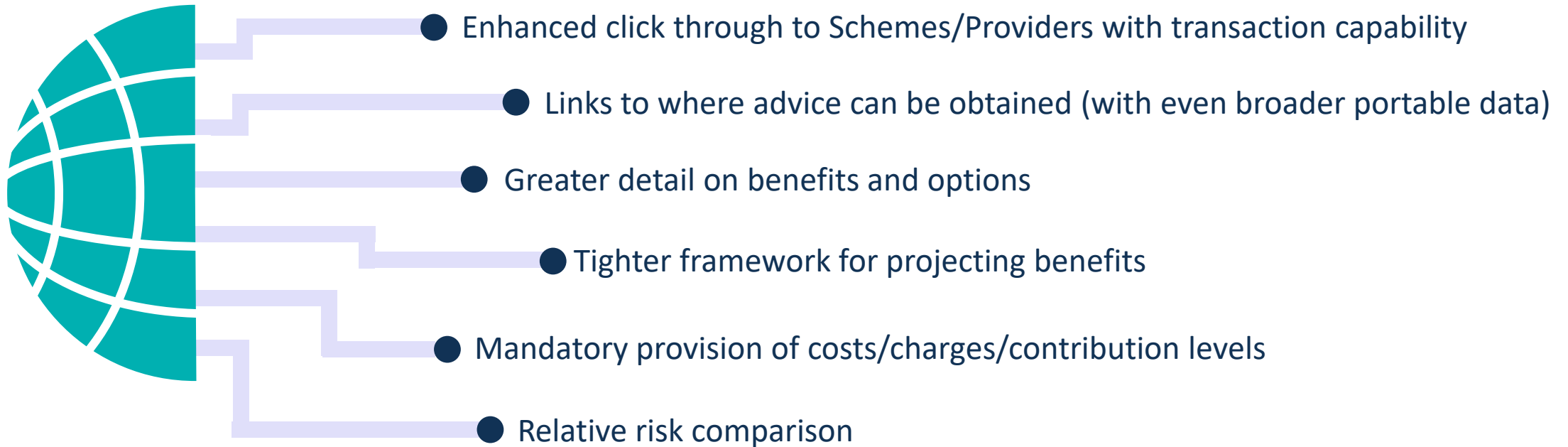Consolidation/ Transfers

Consider working pattern changes

Retire/claim benefits

- At this point we don't know what members will do with the information that dashboards will provide – but we do know that a dashboard user has a reason for looking

- To support members we need to give an accurate and consistent representation of the amount and structure of their benefits across all engagement channels

What Dashboards 1.0 will show:

- Scheme Membership details
- Employer details
- Current Pension accrued (in today's terms)
- Links to further scheme information
- Estimated Retirement Income (i.e. pension projected to retirement)

Pension Fusion

What might Dashboards 2.0 and beyond might include:

- Enhanced click through to Schemes/Providers with transaction capability
- Links to where advice can be obtained (with even broader portable data)
- Greater detail on benefits and options
- Tighter framework for projecting benefits
- Mandatory provision of costs/charges/contribution levels
- Relative risk comparison

Dashboards will promote changes in member behaviour and promote insights that we've not previously had - it has the potential to drive change in a way that we haven't previously seen and aren't necessarily expecting

Get in touch...

@ andrewlowe@itm.co.uk

📞 07585 602608

Pension
Fusion

Session Two Panel
Chair – Chris Connelly, Chief Strategy Officer, Heywood

- Panel

- Andrew Lowe, Co-Chair of PASA Dashboard Committee, ITM
- Graeme Hall, Operations Manager, XPS
- Paul Turpin, Pensions Adviser, Police Federation

Lunch

Session Three – Cost of the Scheme

- Speaker

- James Allen, First Actuarial

- Robert Fornear, GAD

Fire and Police Pensions Data Conference Cost of the scheme

17 May 2023

James Allen FIA

first actuarial

What we're covering

1. Valuation overview

2. Valuation process, calculation and assumptions
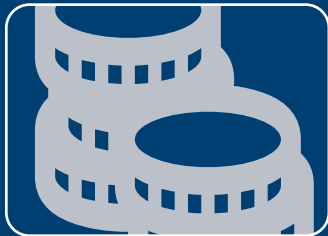
3. Valuation outcomes

1. Valuation overview
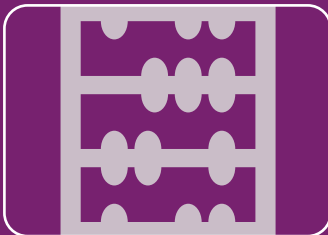
Valuation overview

Why do we need a valuation?

- Required by law, in Public Service Pensions Act 2013
- Must be carried out every 4 years

Outcomes

- Set employer contribution rates
- Identify any breach of the cost cap

Who carries out the valuation?

- Government Actuary's Department (GAD)
- Using directions from HM Treasury

Different valuations for different purposes

The 'funding' valuation

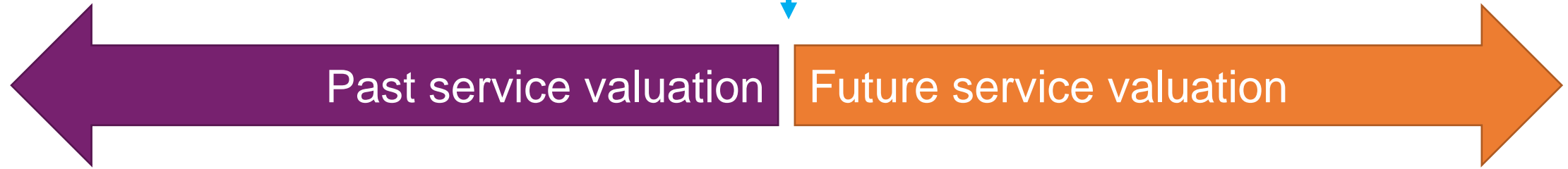**Determines** the employer costs for reformed (2015) schemes

The 'cost cap' valuation

Tracks changes in future costs for reformed scheme members

first actuarial

'Funding' valuation

Valuation date

Past service valuation | Future service valuation

Is there enough money to pay the promised benefits?

What contributions are needed to pay for benefits building up in the future?

first actuarial

But isn't the scheme unfunded?

- There are no actual assets, so use a **notional asset value**
  - *At 31 March 2016, Fire = £17.8bn, Police = £80.4bn*

- **Notional assets this valuation:**

  Notional assets at last valuation

  + contributions paid in

  − benefits paid out

  + "notional investment returns"

first actuarial

Past service deficit/surplus

- GAD calculate how much money they think will be needed to pay all promised benefits (the "liabilities"). These are then compared to the notional assets:

  ◦ If the assets are larger than the liabilities, the Scheme has a **surplus**.

  ◦ If the assets are smaller than the liabilities, the Scheme has a **deficit**.

- Any surplus or deficit is then spread over an agreed period and included in the employer contribution rate calculation.
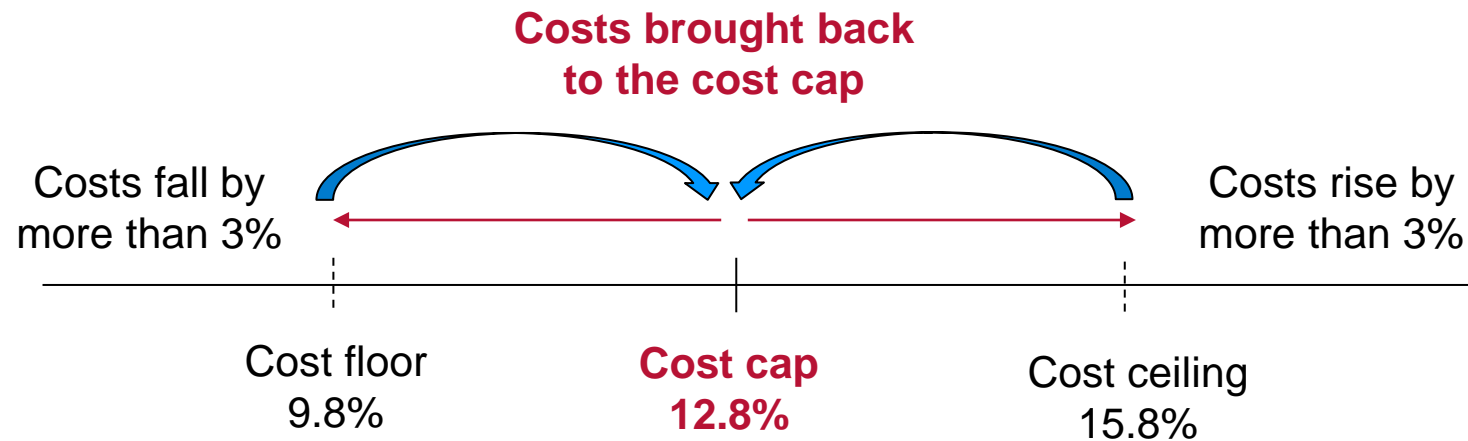
Cost cap valuation

'Cost cap' valuation

Employer cost cap
(target employer cost)

is compared with

Tracked employer costs

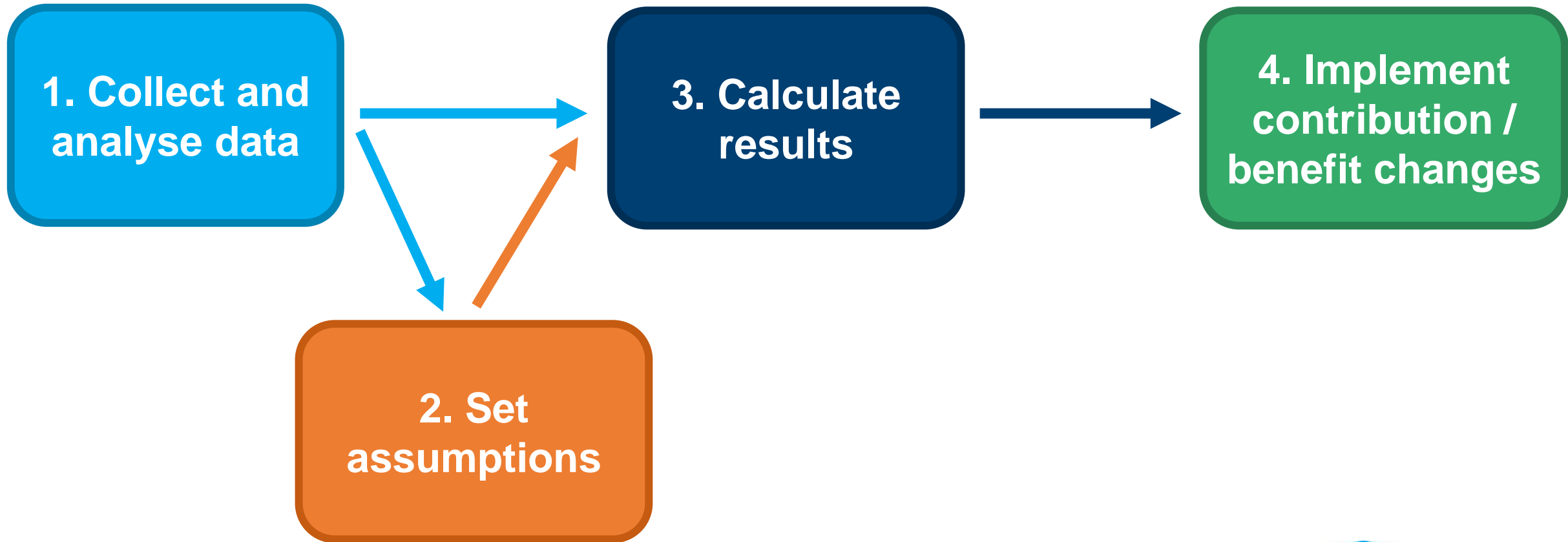**If the difference is more than 3%, then scheme benefits and/or member contributions are changed***

Example: Police

Costs brought back to the cost cap

Costs fall by more than 3%

Costs rise by more than 3%

Note: Cost control 'corridor' was previously 2%

Cost floor
9.8%

**Cost cap
12.8%**

Cost ceiling
15.8%

subject to an 'Economic check'

first actuarial

2. Valuation process, calculations and assumptions

Valuation process

1. Collect and analyse data

2. Set assumptions

3. Calculate results

4. Implement contribution / benefit changes

first actuarial

Implications of poor/missing data

- *"The results of the valuation are critically dependent on the quality and correctness of the data used"* – GAD's report on membership data for 2016 valuation of Police Pension Schemes (England & Wales).

- If data is missing or of poor quality, assumptions need to be made to fill the gaps.

- In 2016, assumptions needed to be made for 1.3% of Police records and 2.5% of Fire records. For Fire, data from one FRA was not provided in a "readily accessible format" so was excluded entirely.

- *"Making assumptions about missing data and allowing for known members with unusable data by uprating introduces uncertainty into the valuation results"* – GAD's report on membership data for 2016 valuation of Firefighters' Pension Schemes (England).

first actuarial

How are pension liabilities valued?
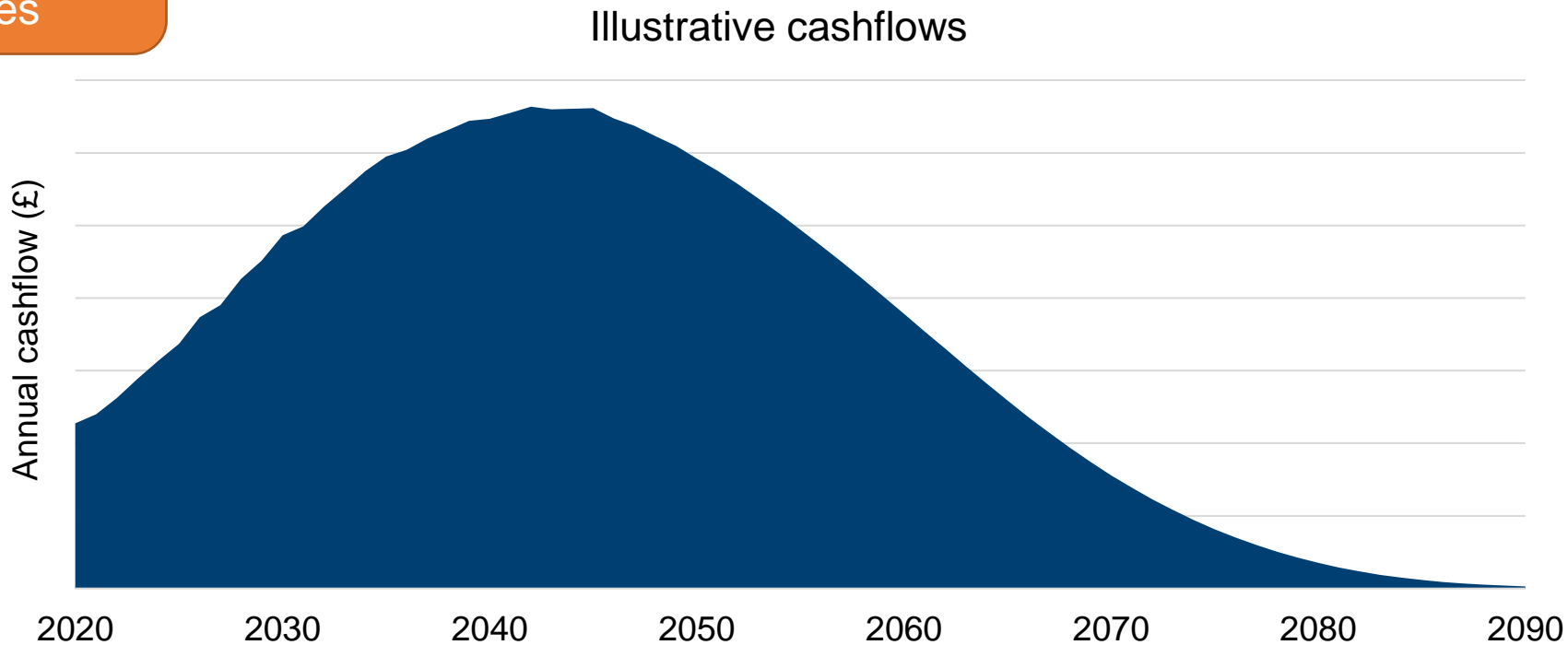
Inflation, salary increases, pension increases

Life expectancy of members and their dependants

Illustrative cashflows

Annual cashflow (£)

2020   2030   2040   2050   2060   2070   2080   2090

Other key assumptions include **cash commutation** and **retirement age**

SCAPE* discount rate, used to discount the value of benefits back to the valuation date

*Superannuation Contributions Adjusted for Past Experience

first actuarial

Why the discount rate matters
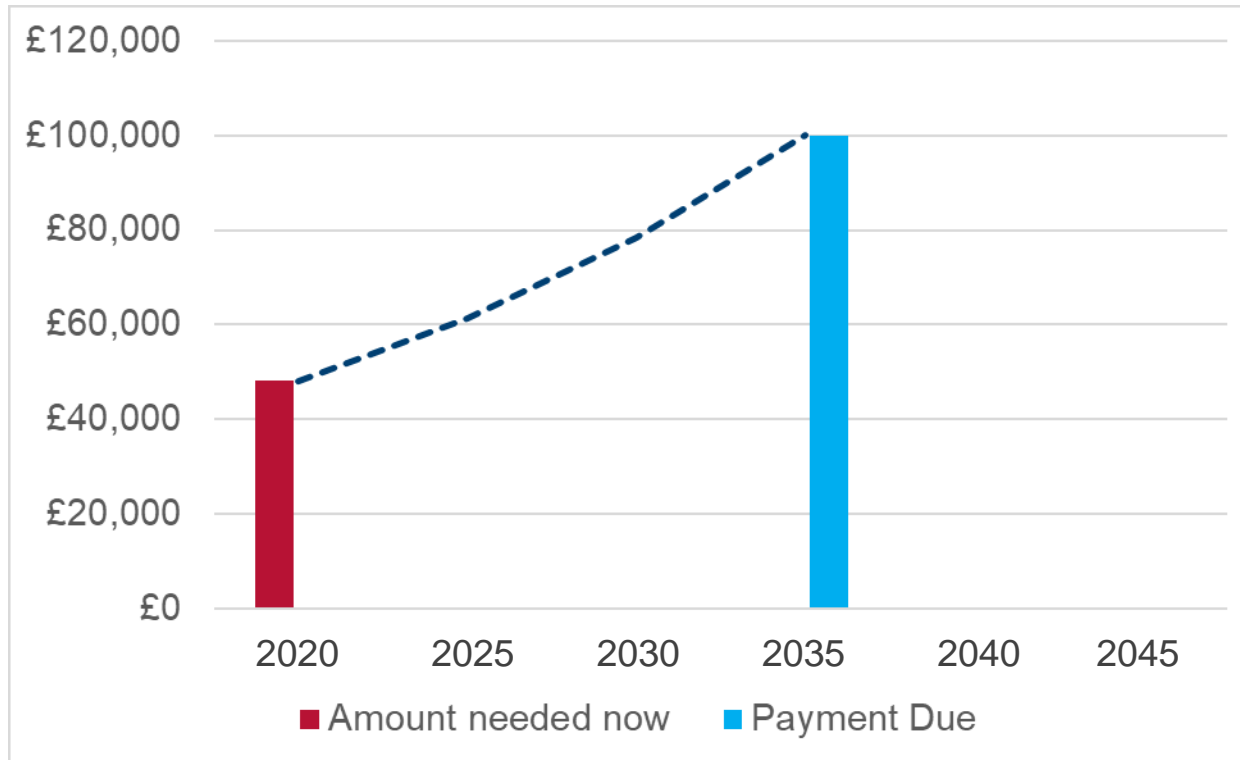
2016 valuation results indicated that if the SCAPE discount rate was 0.25% pa lower, this would lead to an increase in employer contribution rate of 11.1% of payroll for Fire, and 11.0% for Police.

Who sets the assumptions?

HM Treasury
Central

- SCAPE discount rate
- Mortality improvements
- Rates of pension increases
- Rates of CARE revaluation
- Rates of salary increases
- Commutation
- State Pension Age
- Deficit spreading periods

Home Secretary*
Scheme Specific

- Mortality rates
- Retirement ages
- Promotional pay increases
- Family statistics
- Rates of withdrawal
- Rates of ill-health retirement

GAD provides advice to Home Secretary on 'best estimate' scheme specific assumptions. This advice is based on analysis of data collected from each Police Force/Fire Authority.

Home Secretary for Fire and Police. Assumptions set by other ministers for other public service schemes

first actuarial

Changes in SCAPE discount rate

- HMT issued consultation on methodology in June 2021

- HMT confirmed in March 2023 that SCAPE discount rate will continue to be set in line with GDP growth.

- For 2020 valuations, SCAPE discount rate will be CPI + 1.7% pa, a reduction of 0.7% pa.

Year	Methodology	SCAPE discount rate (above CPI inflation)
2011	GDP	3.0%
2016	GDP	2.8%
2018	GDP	2.4%
2022	**GDP**	**1.7%**

first actuarial

Impact of lower SCAPE discount rate

'Funding' valuation

- Compared to 2016 valuation, the SCAPE discount rate has fallen by 0.7% pa. <u>In isolation</u>, this change will lead to:

  ◦ Higher past service liabilities

  ◦ Higher employer contributions for future benefits for active members

- **The exact impact is not known until the valuation directions have been published and valuation calculations carried out by GAD.**

- *"The Government is aware that the updated SCAPE discount rate will generally lead to higher employer contribution rates…"*

  "…The Government has committed to providing funding for increases in employer contribution rates resulting from the 2020 valuations as a consequence of changes to the SCAPE discount rate; this commitment is for employers whose employment costs are centrally funded through departmental expenditure."

Delivered by First Actuarial at Fire and Police Data Conference on 17 May 2023

first actuarial

48

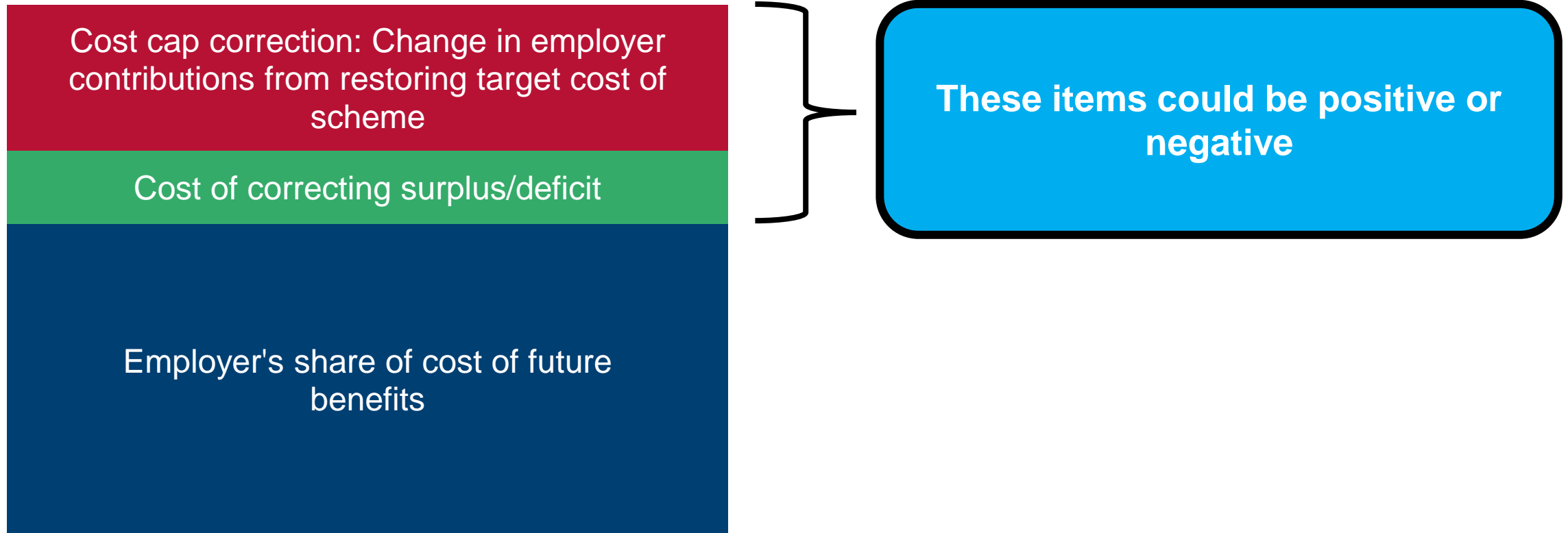# Impact of lower SCAPE discount rate

'Cost cap' valuation

- The 'cost cap' valuation excludes the impact of changes in the SCAPE discount rate, and only considers 'member costs', such as how long members are expected to live.

- **BUT**, the 'economic check' means that a change in SCAPE discount rate can offset a 'cost cap' breach. As a results, the fall in the SCAPE discount rate means that benefit improvements from 2020 valuations are less likely.
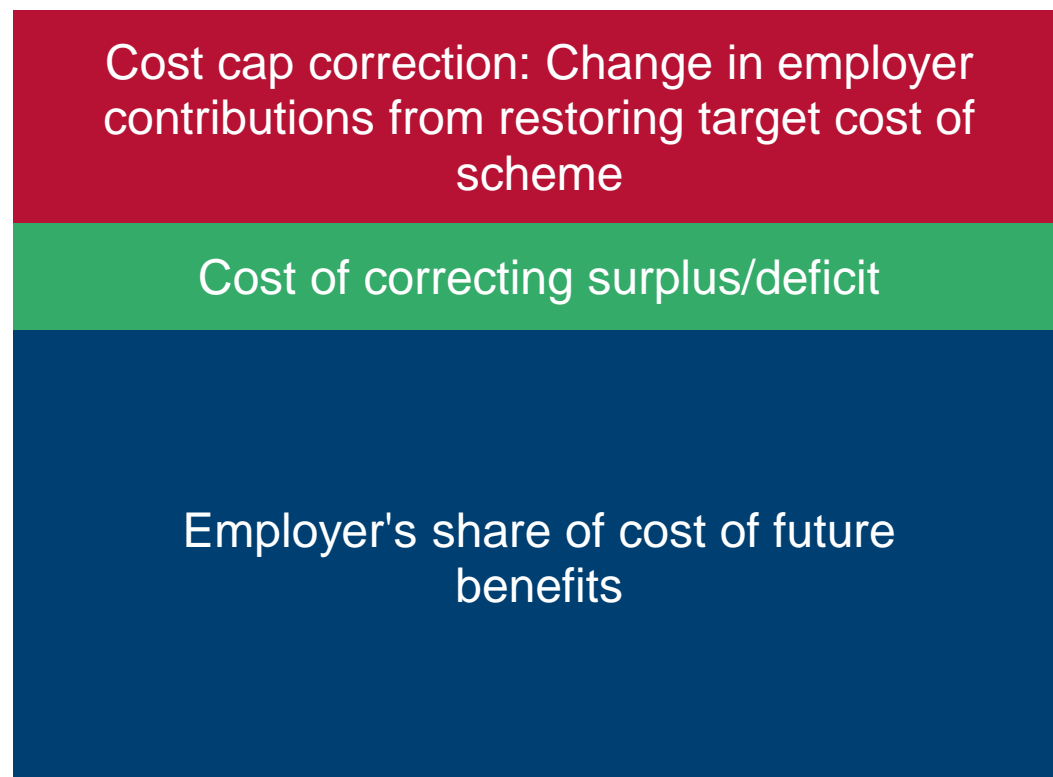
Other implications

- The SCAPE discount rate is used in the calculation of actuarial factors used in benefit calculations for members (cash commutation, early and late retirement, Cash Equivalent Transfer Values (CETVs), Scheme Pays, Added pension, etc)

first actuarial

3. Valuation outcomes

Employer contribution rate

Cost cap correction: Change in employer contributions from restoring target cost of scheme

Cost of correcting surplus/deficit

These items could be positive or negative

Employer's share of cost of future benefits

first actuarial

Example: Firefighters Pension Scheme 2016 valuation

Cost cap correction: Change in employer contributions from restoring target cost of scheme

Cost of correcting surplus/deficit

Employer's share of cost of future benefits

Compared to an average rate of 17.6% following 2012 valuation

The impact of improving the 2015 scheme to correct the original cost cap breach, before McCloud/Sergeant costs were included

Spreading the deficit of £0.6bn over a 15 year period

Disclaimers and warnings

- This material has been prepared by First Actuarial LLP who take full responsibility for it.

- First Actuarial LLP does not accept or assume any responsibility for any consequences arising from any person, other than the intended recipient, using or relying on this material. Third parties should seek their own independent advice as appropriate.

- First Actuarial LLP hold the Institute and Faculty of Actuaries' Quality Assurance Plan accreditation.

- Regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities.

- First Actuarial LLP is a limited liability partnership registered in England & Wales. Number OC348086. Registered office: First Actuarial LLP, Mayesbrook House, Lawnswood Business Park, Leeds, LS16 6QY. Registered in England & Wales.

- First Actuarial LLP 2023 all rights reserved.

Contact details

James Allen FIA

Actuary

First Actuarial LLP

Trafford House, Chester Road

Manchester, M32 0RS

D: 0161 348 7432

E: james.allen@firstactuarial.co.uk

W: www.firstactuarial.co.uk

GAD – Data usage and importance

Rob Fornear

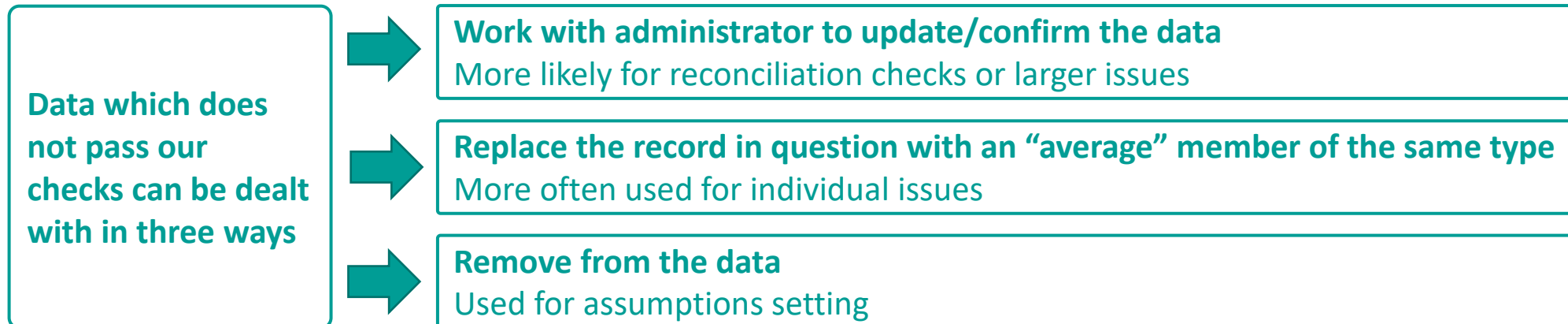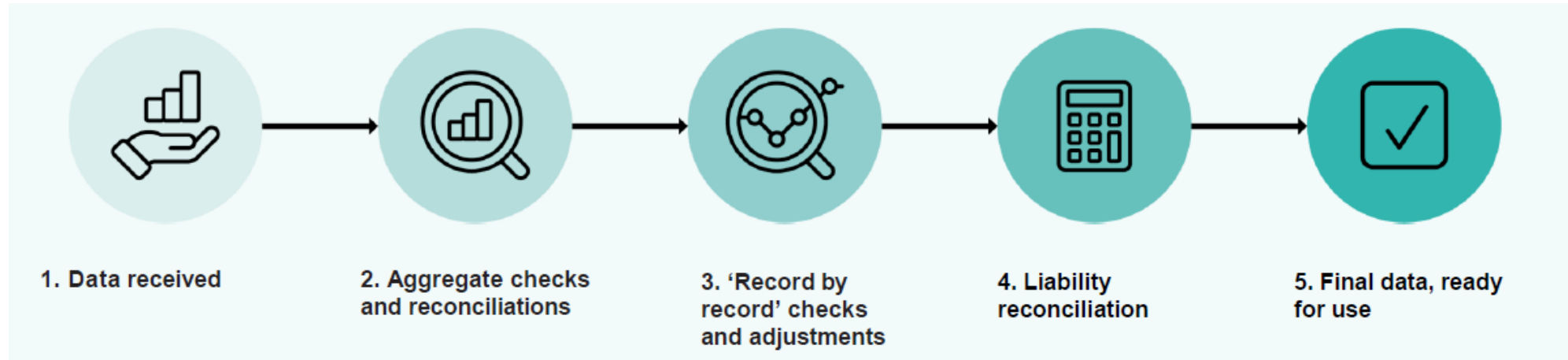robert.fornear@gad.gov.uk

May 2023

Where data is used in the valuation

Preparatory Work

Data

Analysis of Experience and Assumption Setting

Calculations

Reporting

Assumptions Setting

We use the movements data provided to set demographic assumptions such as mortality and retirement patterns

We compare the 2016 and 2020 data to set assumptions such as promotional pay increases

Calculations

Based on the "as at" 2020 data and use the assumptions derived above

Reporting

We publish reports outlining the data used in the valuation and the assumptions derived.

This includes a comment on data quality and the potential impact on the results

We expect to be able to provide results to clients in the next couple of months and expect stakeholders to be informed in the Autumn

Data collection and checks

1. Data received
2. Aggregate checks and reconciliations
3. 'Record by record' checks and adjustments
4. Liability reconciliation
5. Final data, ready for use

Data which does not pass our checks can be dealt with in three ways

→ **Work with administrator to update/confirm the data**
More likely for reconciliation checks or larger issues

→ **Replace the record in question with an "average" member of the same type**
More often used for individual issues

→ **Remove from the data**
Used for assumptions setting

Data quality – as at data

Workforce	As at 2016 data quality	As at 2020 data quality
Police England & Wales	**98.6%**	**97.7%**
Fire England	**97.9%**	**98.8%**

Estimating data introduces a risk that these estimates do not reflect the true data

→

Potential impact on employer contribution rate in 2016:
0.3% of pensionable pay for Fire
0.2% of pensionable pay for police

→

Based on estimates being 10% different from the actual data

Data quality – areas that caused issues

Top 3 Police EW Issues	Number of exclusions	Affected
Deferred pension not in expected range	2,760 (7.5% of deferred)	Deferred
Active service not in correct range	1,692 (1.5% of actives)	Actives
Pay not in correct range	1,270 (1% of actives)	Actives

Top 3 Fire E Issues	Number of exclusions	Affected
Total pension not in the expected range	316 (1% of pensioners)	Pensioner
Accrued 2015 Scheme pension not in the expected range	195 (0.5% of actives)	Actives
2015 Scheme not in the correct range	190 (0.5% of active)	Actives

Data quality – movement data

Police

	Age retirement	Other active assumptions	Pensioner mortlaity	Dependant mortality
2016	35%	24%	27%	42%
2020	7%	4%	7%	18%

Fire

	Age retirement	Other active assumptions	Pensioner mortlaity	Dependant mortality
2016	30%	25%	25%	50%
2020	6%	4%	20%	15%
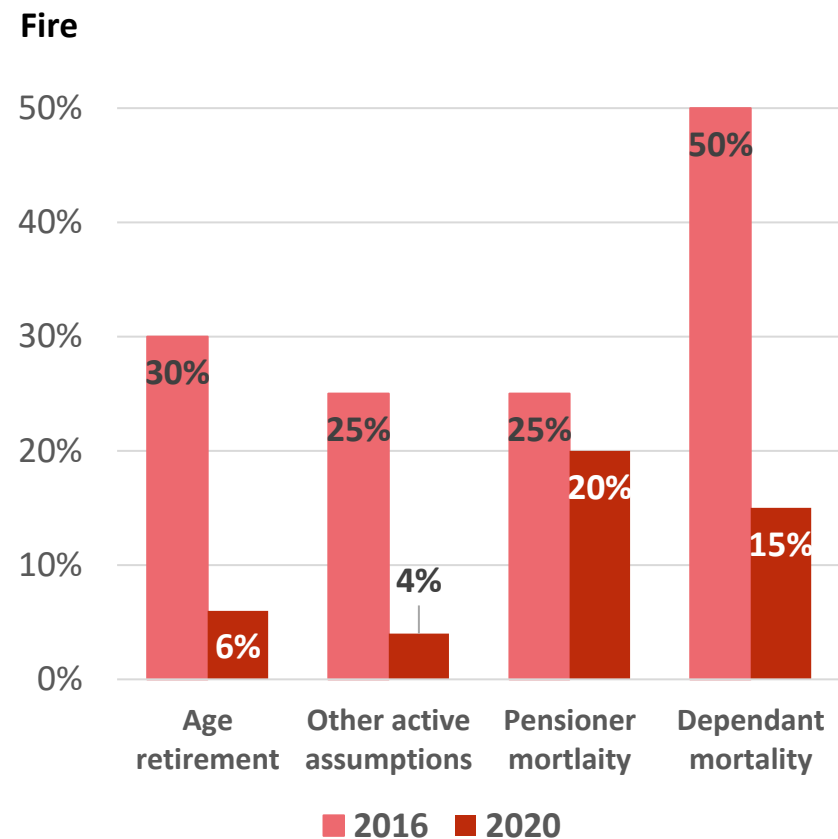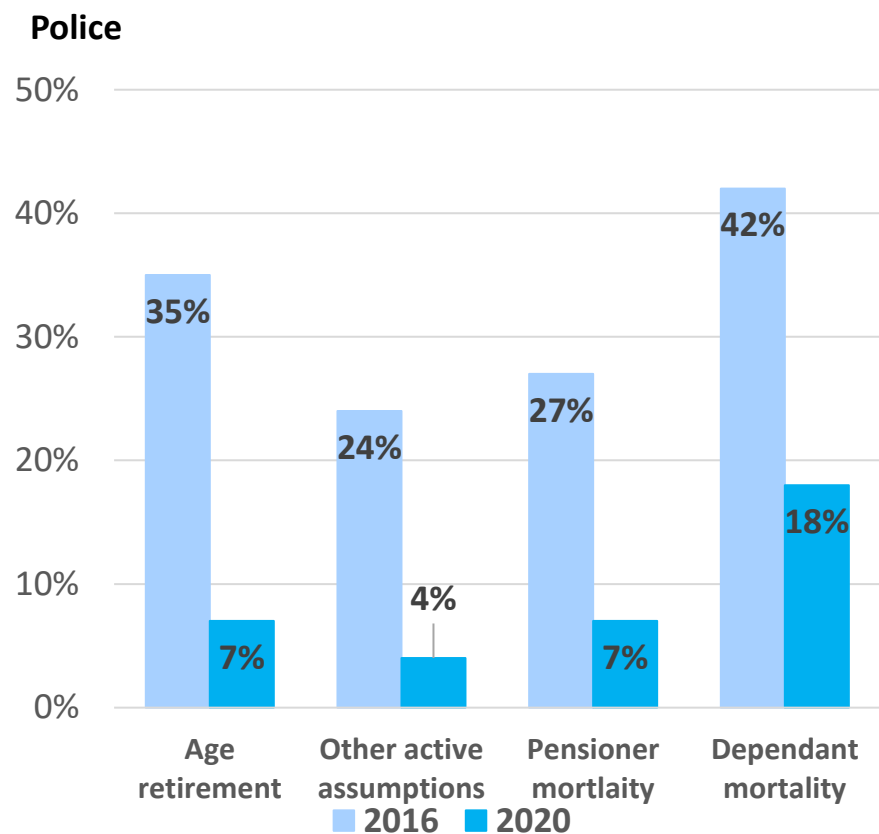
Assumption Setting – How we use data

We can calculate the expected deaths during the period 2016 to 2020 for each age

(purple line)

→

This can be compared to the actual data received

(grey bars)

→

A "best fit" line can be calculated for the actual data

(blue line)

↓
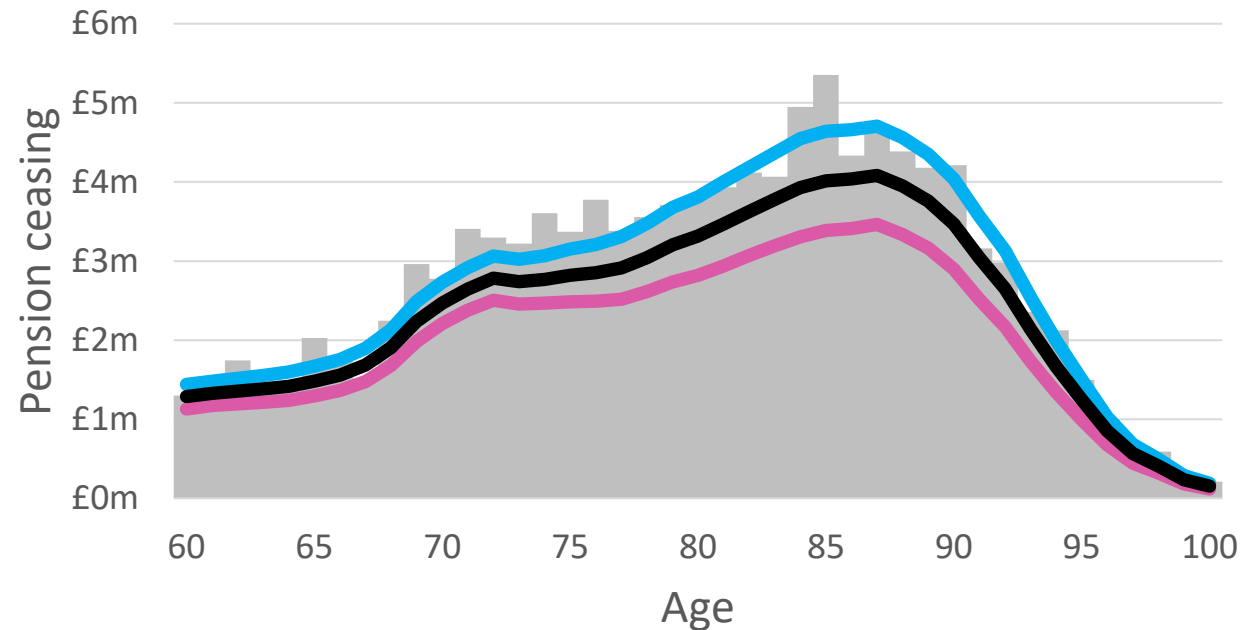
The 2020 analysis best fit table is then blended with the 2016 assumption to set an assumption. This means that the assumptions cover longer periods 2008 to 2020.

The blend depends on a number of factors

(black line)

Where else is the data used
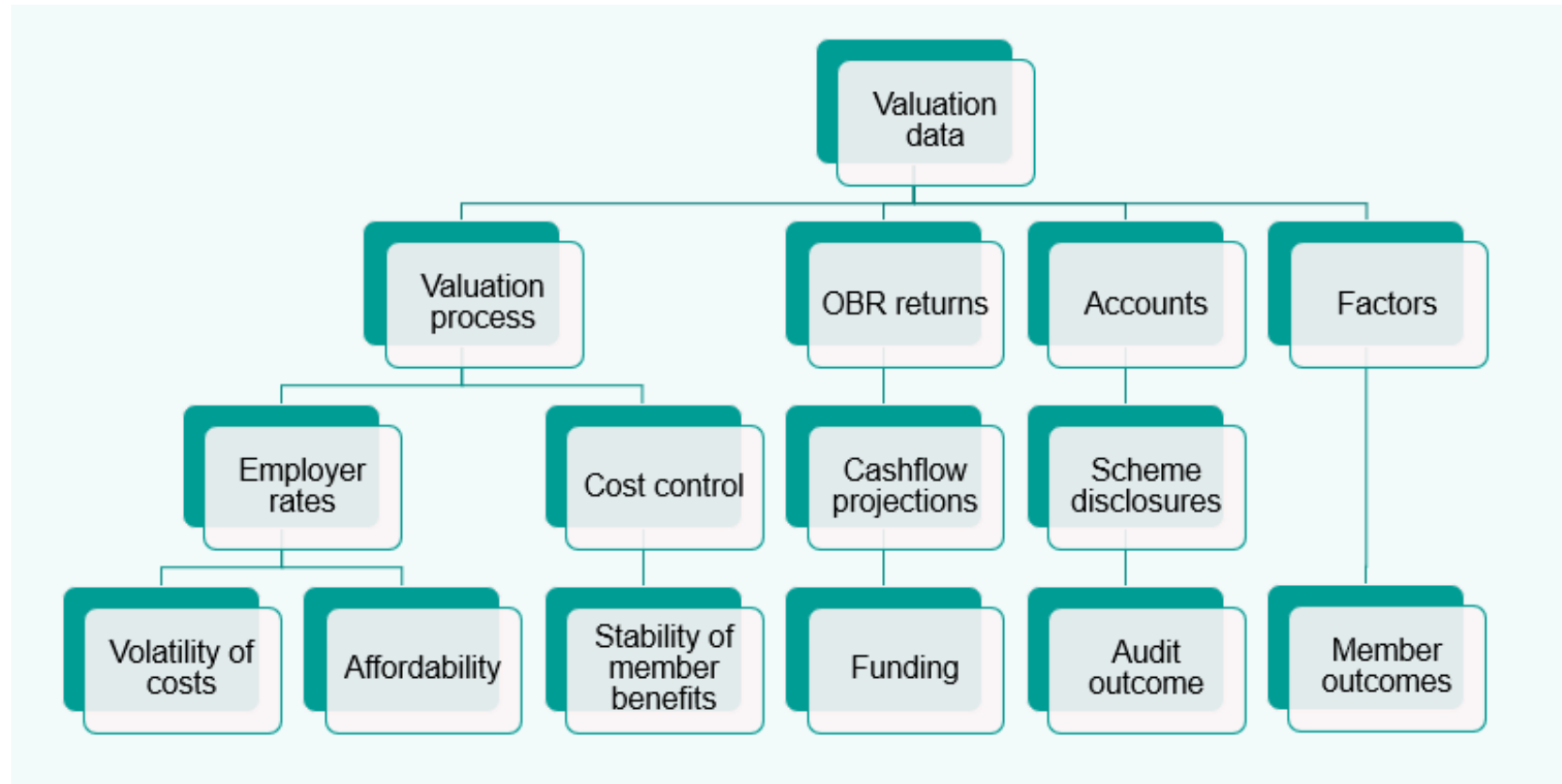
Other potential uses:

Legal case support

Mortality data used to create future mortality base tables (combined with other public sector schemes)

2024 data collection

Support from GAD

For 2020 we provided
1) Data specification
2) Data collection spreadsheet with automatic initial checks

Looking for initial feedback on:
1) Best way to incorporate changes for 2024
2) Usefulness of checking template

2024 challenges
1) McCloud data requirements
2) Matthews data requirements (Fire)

Timelines

For 2020 the deadline was 31 December 2020

Looking for feedback on:
1) Suitable deadline in 2024 to avoid other busy periods (McCloud, Matthews, Annual Statements)

GAD are progressing the 2024 data request across all public sector schemes. We intend to engage with users around June.

Session Four – Owning the narrative

- Speaker

- John Simmonds, Principle, CEM Benchmarking

We work with over **500 pension schemes globally.**

Our clients include **150** of the world's **300** largest schemes.

We are **not consultants.**

	Clients	Defined Benefit and Defined Contribution, public and private sectors.
	Users	Boards, executive teams, finance teams. admin teams, third-party-admin etc.
	Geography	25 countries.
	Schemes	Data on 500+ schemes annually with 80 million members.
	Assets	£8 trillion in participating assets.

Pension Administration Benchmarking involves comparisons of costs and the scope and quality of service to members

It is predicated on high-quality comparative data.
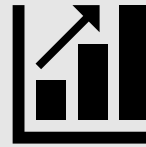
Why do pension schemes benchmark?

Validate

Independent evidence of value-for-money.

Learn

From high-performing peers.

Improve

Identify opportunities to improve the experience for members.

Decide

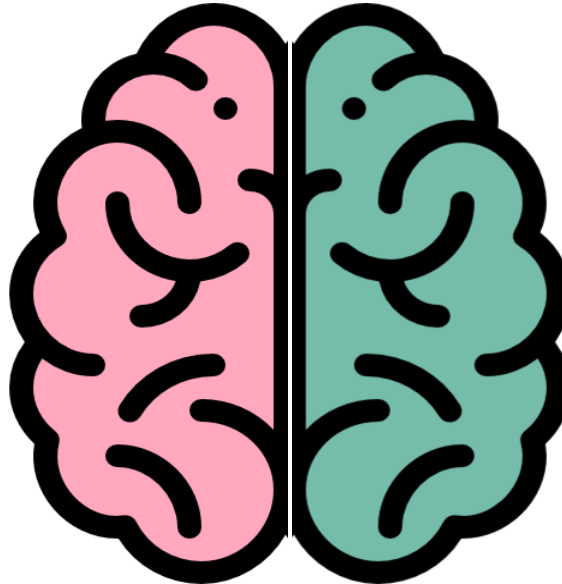Make important decisions based on data.

The art and science of benchmarking

Art

- Understand the scheme
- Interpret the definitions
- Make the process easy
- Create a narrative

Science

- Standard definitions
- Repeatable process
- Data validation

What helpful data can we capture consistently?

| Cost data	Member service data
Total cost	Digital – use and functionality
BAU costs	Telephone – outcomes and capability
One-off costs	Face-to-face - volumes
Functional costs	Paying pensions
Headcount	Benefit statements and estimates
Salary roll	Tracing deferred members
Third party fees	Voice of the Customer – feedback

Total member service score[1]

CEM distils the service measures into one total service score
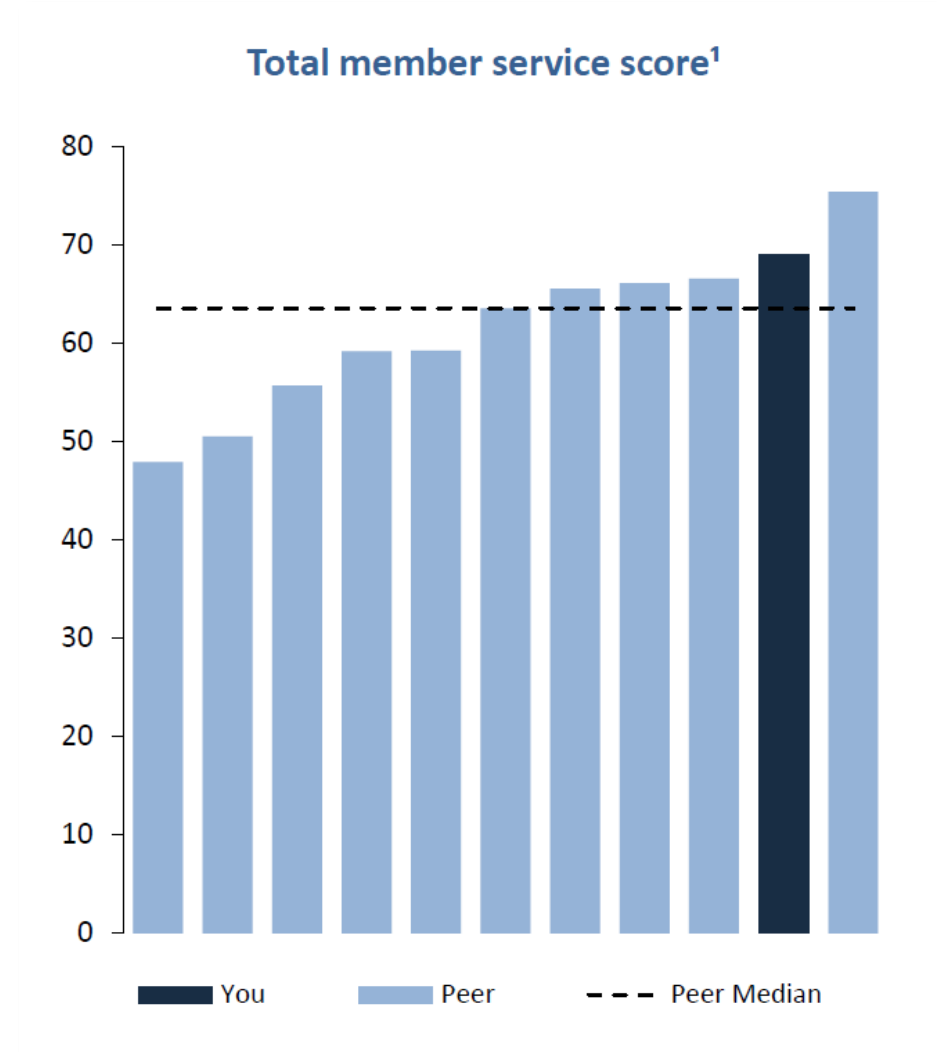
Value-for-Money: *If you spend more, do you deliver a higher level of service?*
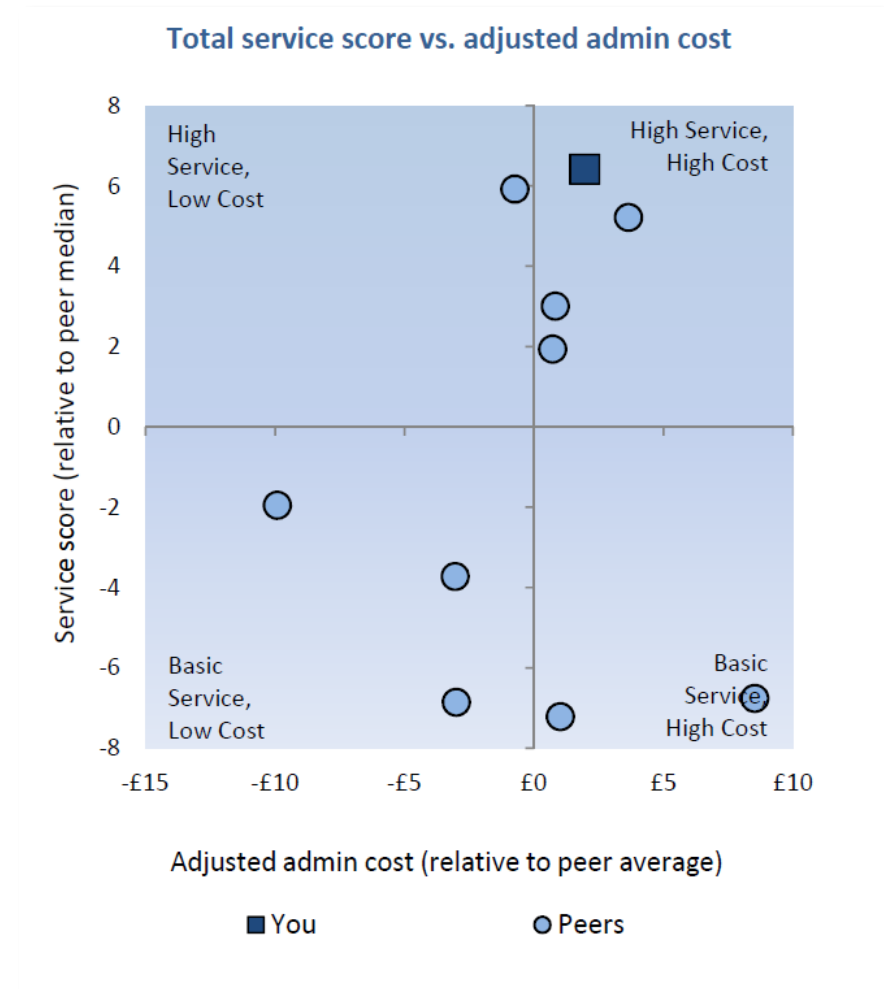
Your operational strategy should focus on delivering services that are appropriate for your members within a budget that's right for your scheme.
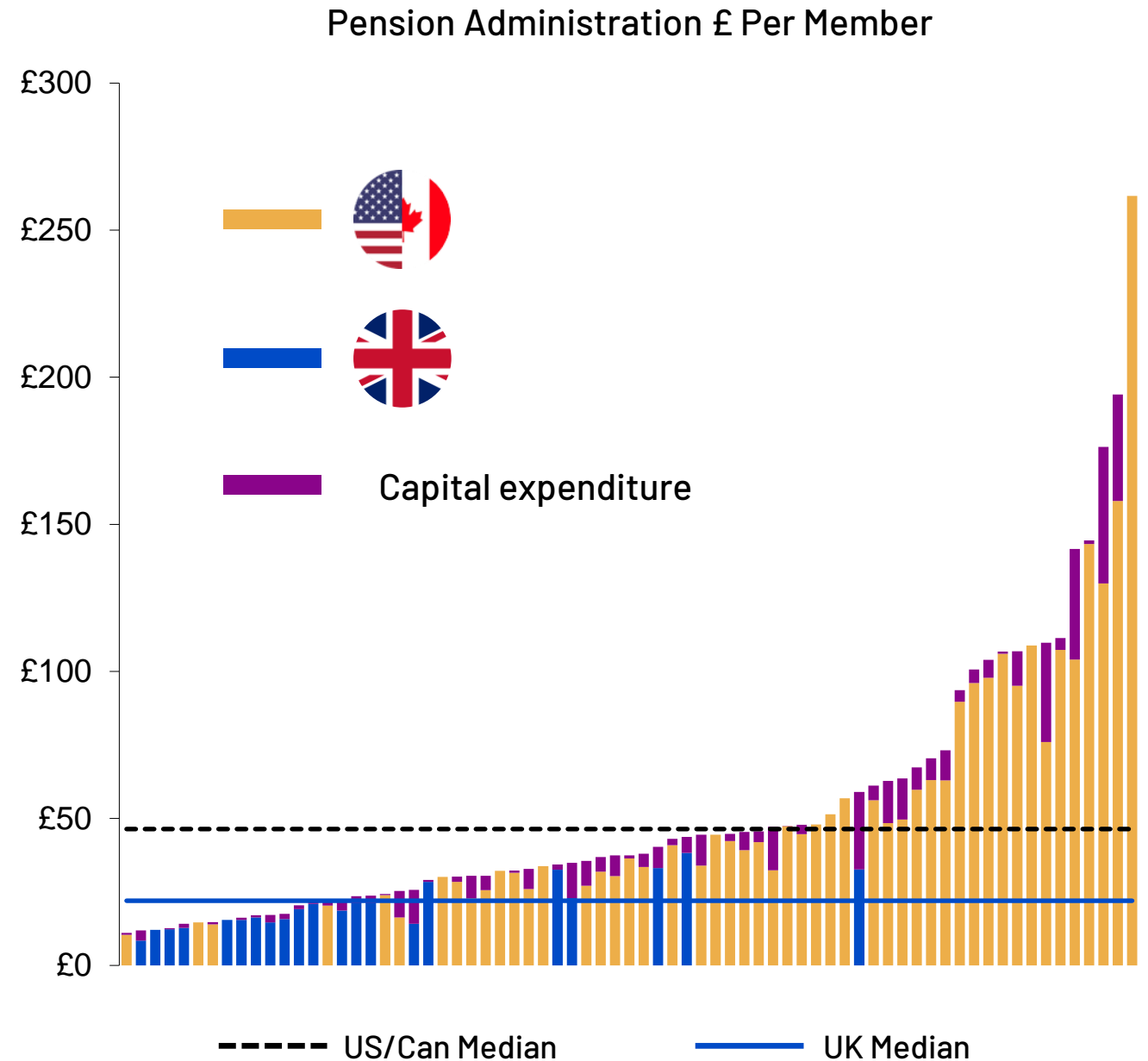
UK schemes spend less than international peers

US/Can: £46 per member

UK: £22 per member

£24 per member

Pension Administration £ Per Member

- US/Can (orange)
- UK (blue)
- Capital expenditure (purple)

- - - - - US/Can Median
———— UK Median

Currency conversion based on OECD Purchasing Power Parity index.

What drives cost differences?

	🇺🇸🇨🇦	🇬🇧	Per member impact
Average admin staff costs per FTE (salaries and benefits)	£59,458	£44,995	£9.80
Accommodation costs per FTE	£4,655	£3,313	£3.70
Members per FTE	3,920	2,934	−£1.13

Scale is also a factor – larger schemes have lower costs per member:

Pension Administration £ Per Member Versus Membership Numbers
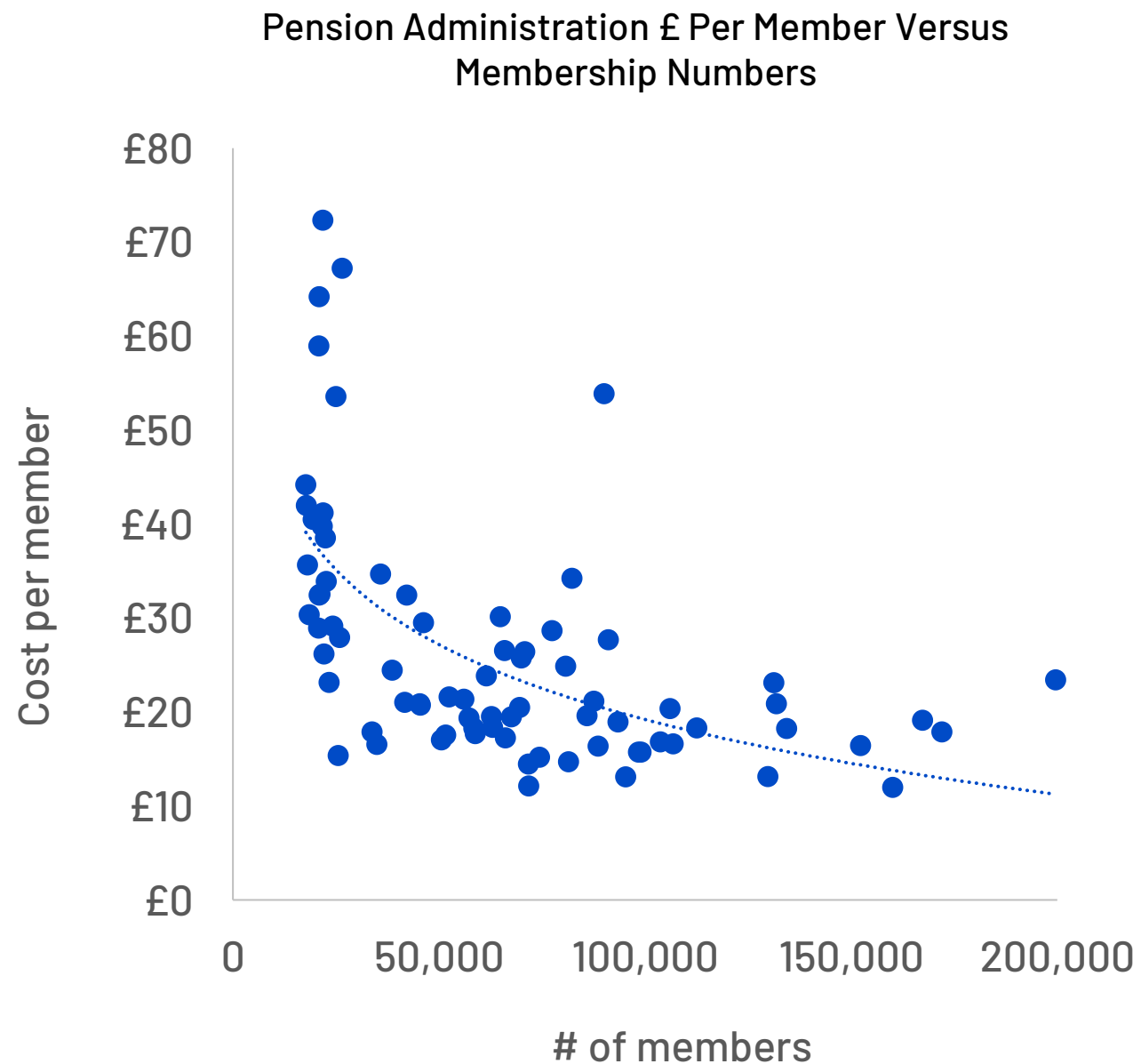
Website functionality:

% with functionality	🇬🇧
Has a secure area website	**80%**
View or download	
Benefit statement	**75%**
P60	**10%**
Pension payment details	**58%**
Transactions	
Retire from active	**9%**
Change of address	**72%**
Nomination of beneficiaries	**72%**
Change bank details	**62%**
Calculators (secure area)	
Linked to salary & service data	**70%**

78

Key call metrics:

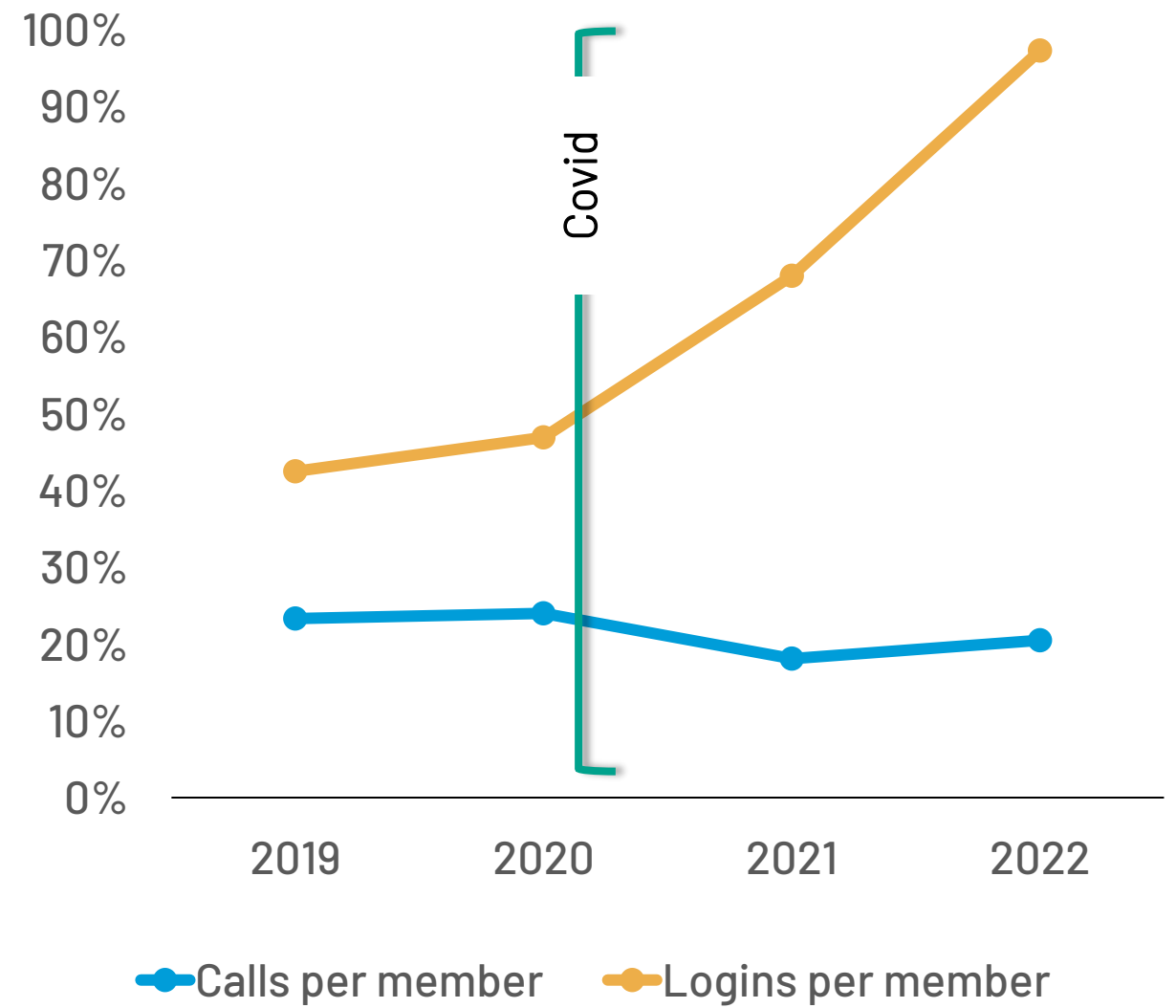|	
Open - # hours per week	41 hours
Pre-connection	
Avg. # menu layers	1.7
Avg. queue time	159 secs
Avg. abandonment rate	5%
Capability	
Transfer value	92%
Details of last call	100%
Quality	
Monitor for quality purposes	92%

Website use has increased materially – call volumes have fallen

(Counts each individual login, i.e., if a member logs in 10 times then count 10)

Thank you

John Simmonds

+44 7880 656099
johns@cembenchmarking.com

Oxford House, 15-17 Mount Ephraim Road,
Tunbridge Wells, Kent, TN1 1EN, UK

CEM Benchmarking

Session Four Panel
Chair – Jo Donnelly, Head of Pensions, LGA

- Panel

- Jennifer Atthey, Senior Manager, Isio
- Alison Murray, Partner, Aon
- John Simmonds, Principal, CEM Benchmarking
- Jo Darbyshire, Managing Director, LPPA

Closing remarks

- Thank you for attending